



BEYOND THE CORONAVIRUS CRISIS: Improve Michigan's Unemployment Insurance to Better Help Workers in the Long Term

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The coronavirus crisis has required many governors around the country, including Gov. Whitmer in Michigan, to declare states of emergency with stay-in-place orders. These orders, while necessary to protect public health, have required many workers to stay home from work. While some workers are able to work from home, others have had to miss work and in some cases, have been laid off and need to collect Unemployment Insurance (UI). Some workers have also had to miss work because they or their family members have become sick from coronavirus.

Because states' UI systems are unprepared financially, and in some cases technologically, to handle the large increase in claims, Congress has passed the [Families First Coronavirus Response Act](#) and the [CARES Act](#). Gov. Whitmer has signed executive orders to enable Michigan workers to benefit from the provisions in the new laws, which, among other things, do the following for Michigan's unemployed workers:

- Provide emergency administrative grants to help state UI systems respond to the COVID-19 crisis (Michigan will receive \$14,554,745 initially and then the same amount when its unemployment rate increases by 10%)
- Provide \$600 per week (called Federal Pandemic Unemployment Compensation, or FPUC) through July 2020 for any worker eligible for state or federal unemployment compensation benefits, in addition to the worker's regular UI benefit.
- Provide 13 additional weeks of UI (called Pandemic Extended Unemployment Compensation, or PEUC) to workers who exhaust regular benefits.
- Provide funds (called Pandemic Unemployment Assistance, or PUA) to expand UI to workers not normally eligible for benefits such as self-employed individuals, independent contractors and "gig" employees, as long as their unemployment is connected to the COVID-19 pandemic.

Gov. Whitmer has also used her emergency powers to restore the maximum number of weeks that unemployed workers can receive UI while they look for work. States traditionally have made 26 weeks of UI available, but Michigan's Legislature reduced that to 20 several years ago. She has also suspended work search requirements, expanded what counts as a layoff or "good cause" for leaving a job to include COVID-19-related job separations, and eased requirements pertaining to employers. All of these changes are temporary and will only be in effect as long as needed to respond to the virus outbreak.

Coronavirus Crisis

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Some of these changes should be made permanent, to continue assisting unemployed workers even after the pandemic emergency is over and Michigan residents begin working again.

Permanently restore the 26-week maximum for Basic UI

In 2011, despite having one of the highest unemployment rates in the nation and having been hit especially hard by the recession, Michigan became the first state to reduce the maximum number of weeks of state-funded UI (called Basic UI) from 26 weeks to 20 weeks, beginning in January 2012. All other Midwest states provide 26 weeks along with most states in the country. While many workers receiving UI find work before reaching the maximum number of weeks, some workers, especially those in areas with few jobs, have difficulty doing so.

Another reason for restoring the 26-week maximum is that in times of severe economic downturn, the federal government funds additional weeks of UI. In states which have reduced their maximum number of Basic UI weeks, the weeks of federally funded UI are proportionally reduced. To qualify for the federal PEUC, the governor raised the maximum from 20 weeks to 26 through executive order, but making the 26-week maximum permanent requires action from the Legislature—the governor cannot do that on her own.

Peg the maximum weekly UI benefit to 58% of the average weekly wage

In 1995, the Advisory Council on Unemployment Compensation to the President and Congress recommended that state UI systems replace at least 50% of eligible workers' lost earnings over a six-month period, and that the way to do this was to set a maximum benefit equal to two-thirds (66%) of the state's average weekly wage.¹ Michigan has long fallen far short of this standard. Up through 1992, the maximum benefit was pegged at 58% of the average weekly wage, which enabled the maximum to increase (or decrease) with wages. In 1993 and 1994, the maximum benefit was decoupled from the average wage and set at a flat dollar level of \$293 per week, which was 58% of average weekly wages in 1993 but only 56% in 1994. The maximum has been increased two times since then, to \$300 in 1995 and to \$362 in 2002, where it has remained since.

Decoupling the maximum weekly benefit from the average weekly wage and converting it to a flat numerical amount has resulted in a significant erosion and a loss to Michigan's workers. If Michigan had kept its maximum benefit at 58% of the average weekly wage, it would have been \$593 per week in 2019, and if it were pegged at the Advisory Council's recommendation of 66%, it would have been \$623 per week. At \$362, however, the maximum benefit is currently only 35% of the average wage. Michigan's average benefit, at only 32% of the average weekly wage in 2019, falls far short of the 50% level recommended by the Advisory Council.

Moreover, as a lifeline for workers and their families, the average weekly benefit will not keep a single-parent family out of poverty, and the maximum weekly benefit will not keep a family with more than two children above the federal poverty level. If Michigan's maximum weekly benefit were still pegged to 58% of the average weekly wage and if the average benefit covered 50% of wages for most workers, UI would keep the families of unemployed workers well above the poverty line as they look for jobs.

The Erosion of the Unemployment Insurance Benefit

Year	State Average Weekly Wage (SAWW)	Maximum Weekly Benefit				Average Weekly Benefit	
		Level Needed for "2/3 Rule"	Level Needed for 58 Percent SAWW	Actual Level	Percent of SAWW	Actual Level	Percent of SAWW
1989	\$454	\$302	\$263	\$263	58%	\$190	42%
1990	\$474	\$316	\$275	\$275	58%	\$205	43%
1991	\$477	\$318	\$277	\$277	58%	\$212	44%
1992	\$489	\$326	\$284	\$284	58%	\$211	43%
1993	\$507	\$338	\$294	\$293	58%	\$215	42%
1994	\$527	\$351	\$306	\$293	56%	\$212	40%
1995	\$554	\$369	\$321	\$300	54%	\$221	40%
1996	\$581	\$387	\$337	\$300	52%	\$204	35%
1997	\$591	\$394	\$343	\$300	51%	\$222	38%
1998	\$614	\$409	\$356	\$300	49%	\$233	38%
1999	\$644	\$429	\$374	\$300	47%	\$238	37%
2000	\$678	\$452	\$393	\$300	44%	\$244	36%
2001	\$714	\$476	\$414	\$300	42%	\$261	37%
2002	\$715	\$476	\$415	\$362	51%	\$280	39%
2003	\$725	\$483	\$420	\$362	50%	\$291	40%
2004	\$744	\$496	\$432	\$362	49%	\$289	39%
2005	\$765	\$510	\$444	\$362	47%	\$290	38%
2006	\$784	\$522	\$455	\$362	46%	\$294	37%
2007	\$803	\$535	\$466	\$362	45%	\$293	36%
2008	\$820	\$546	\$476	\$362	44%	\$299	37%
2009	\$835	\$556	\$484	\$362	43%	\$308	37%
2010	\$829	\$552	\$481	\$362	44%	\$295	36%
2011	\$823	\$548	\$478	\$362	44%	\$289	35%
2012	\$860	\$573	\$499	\$362	42%	\$292	34%
2013	\$887	\$590	\$514	\$362	41%	\$292	33%
2014	\$893	\$595	\$518	\$362	41%	\$282	32%
2015	\$911	\$607	\$528	\$362	40%	\$285	31%
2016	\$935	\$623	\$542	\$362	39%	\$305	33%
2017	\$966	\$643	\$560	\$362	37%	\$307	32%
2018	\$999	\$666	\$580	\$362	36%	\$307	31%
2019	\$1,023	\$681	\$593	\$362	35%	\$323	32%

Sources:

State Average Weekly Wage: Michigan Department of Licensing and Regulatory Affairs (https://www.michigan.gov/documents/wca/wca_avege-weekly-wage_chart_477569_7.pdf, accessed on April 12, 2020)

Average Weekly Benefit: U.S. Department of Labor Employment and Training Administration (<https://oui.doleta.gov/unemploy/5159report.asp>, accessed on April 12, 2020)

Maximum Weekly Benefit: National Employment Law Project

Michigan's UI Benefits as a Percent of Wages Are Lowest in the Midwestern States, 2019

State	State Average Weekly Wage (SAWW)	Maximum Weekly Benefit*			Average Weekly Benefit**		
		Amount	% of SAWW	Rank	Amount	% of SAWW	Rank
Pennsylvania	\$1,106	\$572	52%	1	\$410	37%	4
Iowa	\$936	\$481	51%	2	\$419	45%	1
Ohio	\$1,003	\$480	48%	3	\$382	38%	3
Indiana	\$939	\$390	42%	4	\$299	32%	7
Illinois	\$1,182	\$484	41%	5	\$403	34%	5
Minnesota	\$1,147	\$462	40%	6	\$478	42%	2
Wisconsin	\$970	\$370	38%	7	\$329	34%	6
Michigan	\$1,057	\$362	34%	8	\$329	31%	8

* Maximum benefit figures do not include the Dependent Allowance and are in place as of January 2020.

** Average benefit figures are for the fourth quarter (October through December) of 2019.

Note: The numbers and percentages given for Michigan's 2019 average weekly wage in this table differ from those in the table on page 3 due to different government data sources.

Sources:

Average Weekly Wages: Bureau of Labor Statistics, Census of Employment and Wages (<https://www.bls.gov/cew/data.htm>, accessed on July 17, 2020).

Maximum Benefits: U.S. Department of Labor Employment and Training Administration, Significant Provisions of State Unemployment Insurance Laws, Effective January 2020 (<https://oui.doleta.gov/unemploy/content/sigpros/2020-2029/January2020.pdf>, accessed on July 17, 2020)

Average Weekly Benefits: Employment and Training Administration, Summary Data for State Programs (https://oui.doleta.gov/unemploy/data_summary/DataSum.asp, accessed on July 22, 2020)

The Average UI Benefit Will Not Keep a Family With Children Out of Poverty

		Percentage of Poverty Threshold for...			
		ONE PARENT		TWO PARENTS	
	Amount	One Child	Two Children	One Child	Two Children
Maximum Weekly Benefit	\$362	107%	91%	91%	73%
(If 58% SAWW)	\$542	160%	137%	137%	109%
(If 2/3 SAWW)	\$623	184%	157%	157%	125%
Average Weekly Benefit (+ Dependents' Allowance)	\$329 / \$335	97%	85%	83%	67%

Sources:

Poverty Threshold: U.S. Census Bureau (weekly figures calculated by dividing annual figures by 52);

Benefits: U.S. Department of Labor Employment and Training Administration

Increase the dependents' allowance from \$6 to \$20

Thirteen states, including Michigan and many of its neighbor states, have a dependents' allowance in addition to the basic weekly benefit. The dependents' allowance can be either a fixed numerical amount per dependent or one that increases with the level of the basic weekly benefit. Currently, Michigan's dependents' allowance is \$6 per dependent up to a maximum of \$30. Unlike in most other states with a dependents' allowance, in

Michigan the dependents' allowance may not bring the total household UI benefit higher than the \$362 weekly maximum benefit.

The dependents' allowance in 1951 was \$2 per dependent, equal to just over \$20 in 2020.² The Michigan League for Public Policy recommends that the dependents' allowance be raised to \$20 per week, the equivalent of what it was in the 1950s, and to allow the dependents' allowance to bring the total UI benefit higher than the established maximum. Receiving an extra \$20 per child per week (or \$80 per child per month) would go a long way toward helping unemployed parents weather their financial storms as they look for work.

Make unemployment protections for self-employed, contract and gig workers permanent

Michigan does not normally include self-employed workers, independent contractors or gig workers (those whose livelihood depends on business generated through computer apps such as Uber, Lyft and Handy) in its UI coverage. Under the CARES Act, Pandemic Unemployment Assistance provides UI benefits to these workers, but after the crisis, such workers will become ineligible again without state action. The Michigan Legislature must update the UI laws to respond to the new reality that many individuals work for employers that do not classify them as employees and hence do not pay taxes into the state UI trust fund or submit payroll records into the UI system.

To adequately provide labor protections for contract and gig workers (not only for UI, but also for a number of other protections such as overtime eligibility and minimum wage), Michigan should develop an ABC test similar to that adopted by California and 15 other states³ in which workers are considered employees unless they:

- A. are free from direction and control of the employer;
- B. are performing work outside the employer's usual business (and sometimes, outside the place of business); and
- C. Have their own independent business.

Adopting such a test will help ensure that such workers' employers pay taxes into the UI trust fund and that they will be able to collect UI benefits when they become unemployed. However, the National Employment Law Project outlines several steps states must take in order to make this happen, including making certain workers presumptively eligible for UI (including employees of online platform employers like Uber and Lyft), accepting a simple attestation from workers that shows that they meet the definition of an employee, and, in the absence of employer wage reports, allowing workers to upload evidence of their earnings when applying and accepting any evidence that workers have at hand.⁴

Conclusion

The coronavirus that has currently created a health and economic crisis in Michigan and around the country has exposed the stark shortcomings of Michigan's worker safety net. Though federal aid through the Families First Coronavirus Response Act and the

CARES Act enables Michigan to improve its Unemployment Insurance system to meet the severe unemployment challenges, the policy changes are temporary and Michigan's aid to workers still falls short. Michigan must rise to the occasion and improve its UI policies and programs to not only respond to the coronavirus threat, but to ensure long-term economic stability after the threat is over.

Endnotes:

1. Advisory Council on Unemployment Compensation, *Collected Findings and Recommendations 1994-1996*, Reprinted from Annual Reports of the Advisory Council on Unemployment Compensation to the President and Congress, 1996. (https://workforcesecurity.doleta.gov/dmstree/misc_papers/advisory/acuc/collected_findings/adv_council_94-96.pdf, accessed on January 8, 2018.)
2. Halsey, O. S., *Bulletin: Dependents' Allowances Under State Unemployment Insurance Laws*, Social Security Administration, February 1951. (<https://www.ssa.gov/policy/docs/ssb/v14n2/v14n2p3.pdf>, accessed on November 12, 2017.)
3. The states that adopt an ABC test are California, Colorado, Connecticut, Hawaii, Illinois, Louisiana, Maryland, Massachusetts, Nebraska, Nevada, New Jersey, New Mexico, Oregon, Pennsylvania, Vermont and Washington.
4. National Employment Law Project, *Independent Contractors & COVID-19: Working Without Protections*, March 2020.